

EXHIBIT B

APPRAISAL OF:

**ALBERT JACK LABONTE ELDERLY APARTMENTS
191 MAPLE STREET
SOMERSWORTH, NEW HAMPSHIRE**

PREPARED FOR:

**MR. DAVID FRANCOEUR
17 PARK VIEW TERRACE
SOMERSWORTH, NEW HAMPSHIRE 03878**

DATE OF VALUE ESTIMATE:

JUNE 24, 2020

BERGERON COMMERCIAL APPRAISAL

CONSULTANTS IN REAL ESTATE VALUATION

487 State Street
Portsmouth, New Hampshire 03801
(603) 436-3009
www.bergeronappraisal.com

June 26, 2020

Mr. David Francoeur
Francoeur Senior Housing, LLC
17 Park View Terrace
Somersworth, New Hampshire

Re: Appraisal of the Albert Jack Labonte Elderly Apartments, a 37-unit affordable elderly housing development in the city of Somersworth, New Hampshire.

Dear Mr. Francoeur:

At your request, I am submitting an appraisal of the above-referenced property. The purpose of this appraisal is to estimate the 'as is' value of the 37-unit apartment property subject to restricted rents. The value is estimated as of June 24, 2020, the most recent date property inspection (exterior only).

Market value, as used herein, is defined in the body of this report. The complete legal and physical description of the property has also been included in this report. The analysis and conclusion within the attached narrative report are based upon field research, interviews with market participants, and publicly available data. The accompanying report was prepared in accordance with the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

The narrative report contains 54 pages, 6 Exhibits and 2 Addenda. The methods that I have used and all pertinent data gathered in my investigation are included in this report. I certify that I have no personal interest or bias with respect to the subject matter of the appraisal report or to the parties involved. I have personally inspected the subject property and the comparable data utilized within this report. Your attention is specifically called to the "Limiting Conditions and Assumptions" section of this report, where the parameters of the assignment are outlined in more detail. It should also be noted that this appraisal relied on Extraordinary Assumptions which may have affected the assignment results.

As of June 24, 2020, I estimate the following value for the subject property:

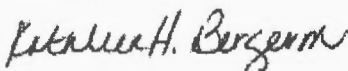
MARKET VALUE ESTIMATE:

**ALBERT JACK LABONTE ELDERLY APARTMENTS
191 MAPLE STREET
SOMERSWORTH, NEW HAMPSHIRE**

\$1,750,000

ONE MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS

Sincerely,



Kathleen H. Bergeron
NHCG – 595

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EXECUTIVE SUMMARY

Appraisal Assignment

Scope of Appraisal:	Narrative appraisal using all applicable approaches to value.
Purpose of Appraisal:	To provide the market value of the subject property on an 'as is' basis, subject to restricted rents.
Interest Appraised:	Fee simple estate subject to Land Use Restriction Agreement.
Intended of Appraisal:	To assist the General Partner in establishing the property's market value for possible acquisition at the termination of the 15 year compliance period.
Date of Inspection:	June 24, 2020
Date of Value:	June 24, 2020
Date Report Transmitted:	June 26, 2020

Subject Property Characteristics

Property Type:	Affordable Senior Apartments
Property Owner:	Maple Street Senior Housing Limited Partnership
Location (Address):	191 Maple Street, Somersworth, New Hampshire
Improvements:	37 affordable, elderly, apartment units
Year Built:	2004
Land Area:	1.031 acres
Zoning:	REC
Highest and Best Use:	As Vacant: Residential development As Improved: Affordable housing units

Final Value Estimates:

Cost Approach:	Not completed
Income Approach:	\$1,750,000
Sales Approach:	Not Completed
Market Value Estimate:	\$1,750,000
Estimated Exposure Time:	3 to 6 months
Estimated Marketing Time:	6 to 12 months

EXHIBIT A – PHOTOGRAPHS OF SUBJECT SITE



View of Front Entrance – June 2020



Front View of Subject from Maple Street – June 2020

PHOTOGRAPHS OF SUBJECT SITE (CONTINUED)



Side View of Subject Property – June 2020



Side View of Subject – June 2020

PHOTOGRAPHS OF SUBJECT SITE (CONTINUED)



View of Interior Corridor – April 2019



Interior View of Typical Kitchen – April 2019

PHOTOGRAPHS OF SUBJECT SITE (CONTINUED)



View of Common room – April 2019



View of Laundry Room – April 2019

PHOTOGRAPHS OF SUBJECT SITE (CONTINUED)



Street Scene – Maple Street, facing North – June 2020



Street Scene – Maple Street, facing South – June 2020

LIMITING CONDITIONS AND ASSUMPTIONS

1. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than stated in this report.
2. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources thought to be reliable and believed to be true. However, no responsibility for accuracy can be assumed by the appraiser.
3. All information has been checked where possible and is believed to be correct, but it is not guaranteed as such.
4. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering, which might be required to discover such factors. It is assumed that no soil contamination exists as a result of chemical drainage or leakage in connection with any production operations on or near the property. No testing has been done for the presence of asbestos-containing materials and it is assumed that no hazardous amounts are present.
5. The appraiser is not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.
6. Distribution of this report is the sole prerogative of the client and no distribution will be made without specific direction of the client. No reproduction of this report, in whole or in part, shall be made without the prior approval of the appraiser.
7. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraiser, or any reference to the Appraisal Institute or the MAI Designation.
8. Information regarding any flood hazard zones for the subject property was provided from outside sources. Accurately reading flood hazard maps, as well as tracking constant changes in the zone designations, is a specialized skill and outside the scope of the services provided in this appraisal assignment. No responsibility is assumed by the appraiser in the misinterpretation of these maps. It is strongly recommended that any lending institution reconfirm flood hazard locations for any property for which they are providing a mortgage loan.
9. The report and data investigated, except that furnished by the client, remains the sole property of the firm.
10. I did not observe any endangered species or endangered species' habitats during my property inspection. It should be noted that I do not have any expertise in matters of endangered species.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this factor could have a negative impact upon the value conclusion reached herein. Since I

have no direct evidence relating to this issue, I did not consider non-compliance with the requirements of ADA in estimating the value of the subject property.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

12. Due to health concerns brought about by the Covid-19 Global Pandemic, interior inspection of the units was not possible. It is assumed that the quality and condition of the units is consistent with a previous inspection of the property in April, 2019. Any change to this assumption could impact the estimated market value in this appraisal.

APPRAISER'S COMMENTS

The subject property is a 37 unit senior affordable apartment property located on a 1.031 acre site along Maple Street in Somersworth, New Hampshire. The 37 units are situated in a three-story, 34,455 SF building constructed in 2004. The property is owned by Maple Street Senior Housing Limited Partnership and managed by the Somersworth Housing Authority.

The subject site is located along the west side of Maple Street, at the corner of Park View Terrace. Development in this area includes a Somersworth Fire Station, National Guard facility, a city park and residences. West of the subject is a 20 unit, affordable elderly housing development that was constructed in the 1970's. Access to the Spaulding Turnpike is 2.5 miles to the southwest, at Exit 9 in Dover, New Hampshire.

The 37 one bedroom units were constructed with the use of Low Income Housing Tax Credits (LIHTCs) and the units are reserved for residents earning below 60% of Median Area Income (MAI). The site is subject to a 30 year Land Use Restriction Agreement through 2034, which specifies all the units must be leased to residents 60% below MAI through the agreement period. The property owner has a fifteen-year Housing Assistance Payment (HAP) contract with the US Department of Housing and Urban Development which will expire in 2029.

As of the date of this appraisal, the Covid-19 Global Pandemic has interrupted the U.S. economy, and the duration and full economic impact are yet to be determined. Nonetheless, this pandemic will undoubtedly soften the demand for apartment units, at least in the interim, and will likely lead to an economic recession. Prior to the pandemic, the New Hampshire economy was very healthy and apartment vacancies were very low. Therefore, a short-term economic pause may have only a limited impact. However, if a second wave of the virus is experience and the economy is further interrupted, rents are apt to trend downward and vacancies are apt to rise to well above stabilized levels.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is a 1.031 acre site located at 191 Maple Street in the city of Somersworth, Strafford County, New Hampshire. It is owned by Maple Street Senior Housing Limited Partnership, and identified by the city of Somersworth as Map 22, Lot 50C.

LEGAL DESCRIPTION

Presented in Appraisal Addendum.

PROPERTY RIGHTS APPRAISED

The fee simple interest is valued in this appraisal. "Fee Simple Estate" is defined as follows:

"absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Source: *The Dictionary of Real Estate Appraisal*, 6th Edition © 2015; The Appraisal Institute

PURPOSE OF APPRAISAL AND INTENDED USE

The purpose of this appraisal is to provide the "as is" market value of the subject property's 37 apartment units, subject to contract rents. The intended use is to assist the General Partner in establishing the property's value for possible acquisition at the termination of the 15 year compliance period.

INTENDED USER OF APPRAISAL

The client and intended user of this appraisal is the Mr. David Francoeur. This appraisal was prepared for the sole and exclusive use of the client. No third parties are authorized to rely upon this report without the express written consent of both the client and Bergeron Commercial Appraisal.

SCOPE OF THE APPRAISAL

The scope of this appraisal is summarized as follows:

- To inspect the subject property (exterior only) and the subject neighborhood. The interior was previously inspected in 2019, prior to the Covid-19 pandemic.
- Gather and analyze information available on the subject property, including information provided by the client, property owner, community, county records, and other public sources.
- Research and analyze regional, community, and neighborhood market conditions, trends, and economics.
- Analyze the subject and market data to draw a conclusion regarding the Highest and Best Use of the subject.
- Determine the best method(s) of valuing the subject property, given available subject information, available market data, market conditions, highest and best use, and the most likely buyer.
- Research, analyze, and confirm market sales, lease, and cost data that is relevant to the valuation of the subject. This information is gathered and confirmed with brokers, appraisers, public officials, public data sources, private publications, periodicals, personal research, and interviews with buyers and sellers.
- Analyze the available data to assemble the most appropriate set of comparable data from which to draw a value conclusion.
- Inspect and photograph the comparable properties.
- Report the subject description, comparable data, and value conclusion(s) in a narrative format that is in conformance with USPAP by fully developing all applicable approaches to value.
- Produce the narrative appraisal report with all exhibits and addendum.

DEFINITION OF MARKET VALUE

the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990 and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the office of the Controller of the Currency (OCC), and Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994.

EXPOSURE TIME AND MARKETING TIME

Exposure Time and Marketing time are defined as follows:

- Exposure Time is defined as: *“the estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal.”*
- Marketing Time is defined as: *“the opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediate after the effective date of an appraisal.”*

Source: *The Dictionary of Real Estate Appraisal*, 6th Edition © 2015; The Appraisal Institute

The subject property was constructed with the use of Low Income Housing Tax Credits, and therefore, is subject to a Land Use Restriction Agreement and compliance period for 30 years. The Land Use Restriction Agreement specifies that any change in ownership must be approved by the New Hampshire Housing Finance Authority. Therefore, the subject is most marketable to a qualified owner/manager of affordable housing, non-profit owner, or public housing authority.

In estimating exposure time and marketing time for the subject property, I have considered the following positive and negative factors that could impact marketability. These are summarized as follows:

SUMMARY OF INVESTMENT RISK FACTORS

Positive Factors -

- The subject was constructed in 2004 and in average physical condition.
- There is good demand for affordable apartment units, with high stabilized occupancy and waiting lists in many market areas.

Negative Factors -

- The LURA requires that the subject property's rents are restricted for 30 years, through 2034, limiting upside income potential. Conversely, the project's expense ratio is apt to increase over time as the property ages.
- Any sale or change of ownership must be approved by NHHFA, restricting the marketability of the subject.
- The Covid-19 Global Pandemic has disrupted the U.S. economy as of the writing of this appraisal, and the duration and economic full impact are yet unknown. Nonetheless, this pandemic will undoubtedly soften the demand for apartment units, at least in the interim,

and will likely lead to an economic recession. However, prior to the pandemic, the New Hampshire economy was very healthy and there was a strong demand and limited supply of apartment properties. Therefore, a short-term shutdown may have only a limited impact on this market. However, if a second wave of the virus is experienced and unemployment continues to climb, rents are apt to trend downward due to a rise in foreclosures and vacancies, as well as diminished demand among buyers.

Given the factors noted above, an exposure time of 3 to 6 months is estimated for the subject, assuming the hypothetical consummation of a sale at the market value on the effective date of the appraisal.

As a result of the economic uncertainty associated with the Covid-19 Pandemic, a longer 6 to 12-month marketing time is estimated.

REGIONAL DATA

The subject property is located in the Northern New England region, which includes the states of New Hampshire, Maine, and Vermont. Southern New Hampshire contains a majority of the state's population, with commercial development concentrated in the population centers of Nashua, Salem, and Manchester. These three municipal centers are connected by the state's major highways, which include I-93, Route 101, and the FE Everett Turnpike. This region is heavily influenced by its proximity to the greater population density of Eastern Massachusetts. New Hampshire's highest priced real estate tends to be in communities near the Massachusetts border and within the Seacoast Region.

Despite the rapid economic growth during the past few decades, real estate developers and lenders have generally been cautious following the widespread overbuilding of the 1980s. As a result, little speculative construction has been undertaken in the region. Owner-user and build-to-suit development has been most prevalent in the industrial, retail, and office sectors. These trends have kept inventory levels low, resulting in moderate rent and price appreciation. During the Great Recession of 2007-2008 new construction came to a near standstill. More recently, some new commercial construction is evident, mainly in prime locations.

In recent years New Hampshire's unemployment rate has remained below national levels. Additionally, New Hampshire's residential and retail sectors have been fueled by the highest rate of population growth in the New England region. A common motivation of relocating residents has been "quality of life" and relatively affordable housing, compared to neighboring states to the south. This residential growth resulted in unprecedented levels of new single-family residential construction during the past decade. Several of the state's rural agricultural communities have quickly become suburban bedroom towns, with school systems and infrastructure struggling to catch up. New apartment construction is just beginning to occur in the New Hampshire market for the first time in decades as a result of rising rents.

The Great Recession and recovering economy that followed impacted individual communities within New Hampshire at different rates. In general, the rate of foreclosures and

declining home prices was below national levels and new foreclosures are now very limited.

Projected economic and population growth in New Hampshire is expected to outpace the remaining New England states in the coming decade.

The residential real estate market has demonstrated positive activity and price growth during the past several years. New home construction has resumed at a modest pace.

The commercial real estate market's decline during the recession was only minor, and as of the second quarter of 2020, occupancy and prices in most segments of the commercial market have demonstrated moderate appreciation. Limited new construction is evident in most segments of the commercial market.

Overall, the New Hampshire market appears to be well positioned during the current economic cycle, compared to other regions of the United States, due to a broad employment base and healthy commercial and residential real estate markets. New Hampshire continues to be one of the only states in the U.S. to rely almost exclusively on property and business profits taxes for its revenue base, with no personal income or sales tax.

EXHIBIT B – REGIONAL MAP



COMMUNITY DATA

The subject is located in the city of Somersworth, a community of 11,900 residents (2017 NHDES). Somersworth is part of the Tri-City area, which also includes the adjacent cities of Dover and Rochester. All of these communities are accessible from the Spaulding Turnpike, and are just north of the state's seacoast region. The city of Somersworth is bounded to the north by the city of Rochester, to the east by Berwick, Maine, to the west by the city of Dover, and to the south by Dover and the town of Rollinsford.

The nearest major highway is the Spaulding Turnpike, which is a connector road between Interstate 95 and Routes 16, 202, and 11, which head to the state's Lakes Region and White Mountains. The Massachusetts state border is approximately 25 miles south via Interstate 95.

The city of Somersworth has a small commercial base consisting of a few large retailers and a few large manufacturers. As of 2016, approximately 83% of working residents commute to employment in other New Hampshire communities or out-of-state. The City's largest employer is Contitech, a manufacturer of performance silicone hoses, which employs 1,000. Aclara Meters (Formerly GE Meters Division) is the largest employer in downtown Somersworth, with approximately 400 employees. Other large employers include Wal-Mart with 380 employees and the Somersworth School Department with 291 employees. The most recent reported median household income in the town was \$60,943.

Retail development in Somersworth is concentrated along High Street (NH Route 9), between NH Route 108 and downtown Somersworth. Retail development along High Street includes the Tri-City Plaza, which is anchored by Market Basket Supermarket, TJ Maxx, Ben Franklin Crafts, Citizens Bank, and Dunkin' Donuts. The addition of Wal-Mart, Home Depot, and Target stores resulted in additional ancillary retail development over the past decade.

NH Route 108, just south of the Somersworth border in Dover, contains the Tri-City area's largest concentration of retail properties, including shopping centers and restaurants. The area just east of the Exit 9 Interchange with the Spaulding Turnpike is developed with several offices, hotels, restaurants, and retailers. To the north through Somersworth, NH Route 108 becomes less densely

developed with local businesses, including auto dealerships, several medical office properties, industrial businesses, and local retailers and service businesses. Being located between Wentworth Douglas Hospital in Dover and Frisbee Memorial Hospital in Rochester, Somersworth has been developed with numerous free-standing medical offices during the past 15 years.

Somersworth has two major areas of industrial development. The first is along NH Route 108 and Interstate Drive. This area includes two of the city's largest employers, Contitech and Velcro. Malley Farms, a second industrial park, is located near downtown, and contains several smaller tenants.

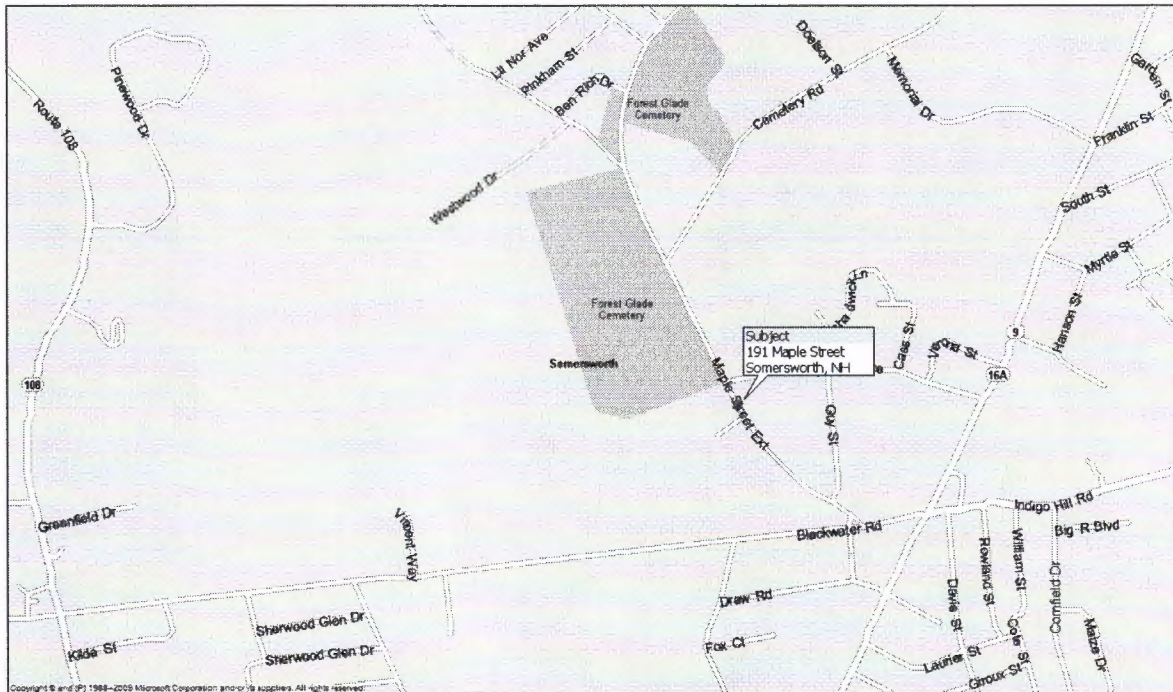
NEIGHBORHOOD DATA

The subject is located along the west side of Maple Street, at the north west corner of Park View Terrace, in a predominately residential neighborhood located approximately two miles southwest of downtown Somersworth. Maple Street connects State Route 236 to the north and Blackwater Road and NH State Route 9 (High Street) to the south. Commercial and retail development along High Street is approximately 1.5 miles to the southeast, and commercial development along Route 108 is approximately 1 mile to the west.

Abutting the subject to the south, across Park View Drive, is a city of Somersworth Fire Station, further south is a National Guard Center. To the west is the Parkview Apartments, a 20 unit elderly affordable complex that was constructed in the 1970's. Further west is city own land that was a former land fill and is used as a park, known as St. Laurent Park. North of the subject is a cemetery, and further north are residential neighborhoods and an elementary school. East of the subject, across Maple Street, are residential neighborhoods.

Overall, this is a good residential location with average access to highways and services.

EXHIBIT C - NEIGHBORHOOD MAP



OWNERSHIP & SALES HISTORY

OWNER OF RECORD: Maple St. Senior Housing Limited Partnership
GRANTOR: Jeffrey F. Francoeur, JR.
LEGAL DESCRIPTION: Book 2760, Page 259 (Strafford County Registry of Deeds)
DATE RECORDED: May 28, 2003
CONSIDERATION: \$170,000 (tax stamps)

The above sale is the most recent transfer of the subject parcel from Jeffrey F Francoeur, Jr. to a related party. The subject site was subdivided in 2002 from a larger, 3.101 acre site that was developed with an affordable senior housing development. A copy of this deed is included in the addenda of this appraisal.

Since purchasing the subject site in 2003, the property owner developed the site with a 37 unit senior housing property. Development was completed with the use of Low Income Housing Tax Credits, and therefore the site is impacted by a 30 year Land Use Restriction Agreement, specifying that the all units must remain affordable units to be leased to residents below 60% of Median Area income through 2034.

The property is not currently listed for sale or under contract at this time. However, the use to assist the General Partner in establishing the property's market value for possible acquisition at the termination of the 15 year compliance period, which occurred in 2019.

SITE DESCRIPTION

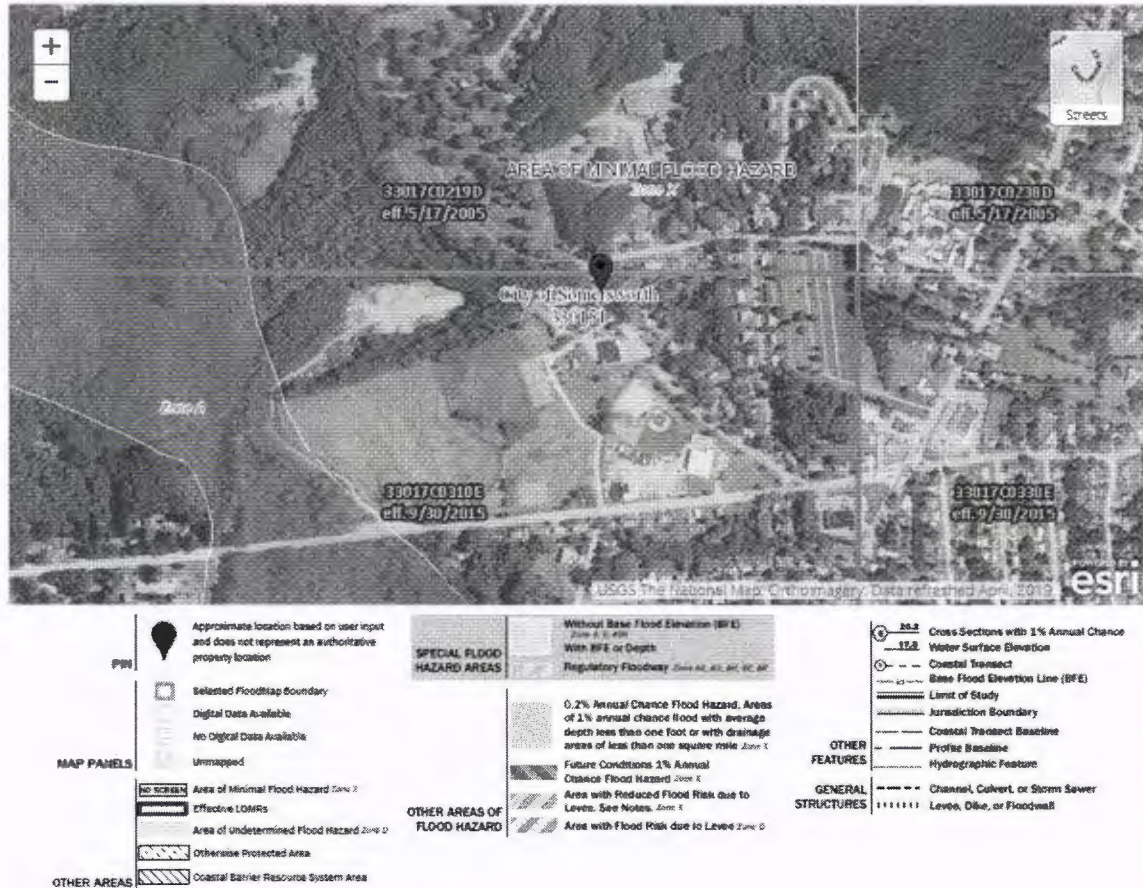
The subject site is described as follows:

ACREAGE:	1.031 acres
TAX MAP #:	Map 22, Lot 50C
FRONTAGE:	138.19 feet along Maple Street, 174.99 feet along Park View Terrace
ZONING:	REC - Recreation
UTILITIES:	All public utilities available
TOPOGRAPHY:	Level
SHAPE:	Irregular
ACCESS:	Good from Maple Street and Park View Terrace
VISIBILITY:	Good from Maple Street and Park View Terrace
EASEMENTS/ ENCROACHMENTS:	A 35' wide gas easement is located along the northern portion of the site. There are no easements or encroachments that would impact the utility of the site as a senior housing property.
PRESENCE OF TOXIC WASTES:	This appraisal assumes no contamination. See Limiting Condition #4.
FLOOD STATEMENT:	According to FIRM "Flood Insurance Rate Map #33017C0310E, dated September 30, 2015, the subject sites <i>appear</i> to be located outside of the Federally Designated Flood Hazard areas (See Exhibit F – Flood Map).



EXHIBIT E – CITY OF SOMERSWORTH TAX MAP #22



EXHIBIT F – FLOOD MAP

ASSESSMENT AND TAX DATA

The city of Somersworth assesses the subject property as follows:

Map/Lot	Land	Building	Xtra Features	Total
22/50C	\$178,400	\$2,892,300	\$13,700	\$3,084,400

The current (fiscal 2019) tax rate for city of Somersworth is \$27.28 per \$1,000 of assessed value, resulting in annual real estate taxes of \$84,142 or \$2,274 per unit.

Somersworth recently underwent a revaluation, and therefore, the equalization ratio is presumably at 100%. The equalized assessed value of \$83,362 per unit is greater than the market value estimate in this appraisal. Assessments of multi-family properties in the City of Somersworth are presented below:

	Address	Market/Affordable	Total Assessment	# Units	Assessment/Unit
1	Queensbury Mill, 1 Market St.	Affordable	\$1,527,600	24	\$63,650
2	9 Parkview Terrace	Affordable	\$1,146,700	16	\$71,669
3	90 Indigo Hill Rd.	Market	\$1,161,300	16	\$72,581
4	Crocketts Crossing, 445 Main St.	Affordable	\$3,099,326	46	\$67,377
5	Tara Meadows, 14 Tri City Rd.	Market	\$19,206,500	270	\$71,135

The subject property's assessment is at the high end of the range in comparison to other apartment complexes in Somersworth. However, the subject property is a relatively newer property in comparison to the comparables and contains more common area.

ZONING

The subject property is located in the city of Somersworth's Recreational Zoning District. Permitted uses include recreational uses such as playgrounds, swimming pools, ball fields, skating rinks and picnic areas.

Dimensional requirements for Somersworth's REC Zone is summarized as follows:

1. Minimum lot size	- N/A
2. Minimum lot frontage	- N/A
3. Minimum set back	
a) front	- 25 feet
b) side	- 25 feet
c) rear	- 25 feet
4. Maximum lot coverage	- 5%

Residential uses are not permitted in the Recreation Zone. Somersworth's Zoning Board of Adjustments granted variances in 2001 and 2002 for development of a three-story elderly housing complex.

DESCRIPTION OF IMPROVEMENTS

The subject is a 37 unit, three-story, garden style apartment building. The general features of these improvements are discussed below. The following information is based on available building plans information provided by the property owner, an exterior inspection on June 24, 2020, as well as previous personal inspection on April 24, 2019.

General Building Features:

UNIT BREAKDOWN: 37 one bedroom/one bathroom apartment units
 GROSS BUILDING AREA: 34,455 square feet
 ACCESSIBLE UNITS: 2 Units; All units contain emergency pull cords
 YEAR OF CONSTRUCTION: 2004

Structural and Exterior Description:

FRAMING: Wood Frame
 EXTERIOR FINISH: Vinyl clapboard and shingles
 FOUNDATION: Poured concrete
 BASEMENT: Slab
 ROOFING: Rubber membrane roof
 PARTITIONS: Drywall over wood studs
 WINDOWS: Double hung vinyl framed windows with insulated glass and full screens.
 DOORS: Insulated steel with glass
 INSULATION: Assumed adequate

Mechanical Systems Description:

ELECTRIC: 100 amp service. Units are separately metered, but electric is included in the rent.
 HEATING/COOLING: Gas fired FHW baseboard heat; A/C in hallways. Window units in individual units.
 FIRE PROTECTION: Fully sprinklered; Exit signs; assumed to code

Interior Build-Out Description:

WALLS: Painted drywall
 CEILINGS: Suspended ceilings in hallways; Painted drywall in units.
 DOORS: Solid core 6 panel doors
 FLOORING: Combination of VCT and carpet

**INTERIOR UNIT
FEATURES:**

All units include the following features and/or amenities:

1. Kitchen appliances include refrigerator and electric range with hood.
2. One full bathroom with vanity sink and tub/shower unit
3. Kitchen and bathroom contain standard quality cabinets and laminate counter tops.
4. Each unit has a large walk in closet off the bedroom.
5. Each unit contains 2 emergency pull cords.

COMPLEX AMENITIES:

Elevator access, laundry rooms on each floor with one coin operated washer and dryer, community room on each floor, ground floor community room contains kitchen.

Site Improvements:

PARKING:

A total of 37 parking spaces, or 1 space per unit.

WALKWAYS:

Concrete walkways in parking lot and entrances.

LANDSCAPING:

The site is improved with grassed areas and shrubs surrounding the building. Full irrigation system.

Summary

The subject is a (37) unit, three-story apartment building. The building contains (37) one bedroom, one bath units. All the units are designated for elderly or disabled residents earning at or below 60% of the median area income (MAI).

The building is accessed via a main entrance along the north side of the building, facing the parking area. The units are accessed via interior hallways. Each floor is accessed via an elevator at the main entrance or stairways at the east and west end of the building.

Each unit contains a refrigerator and electric range with hood and also two emergency pull cords, one in the bathroom and one in the bedroom. The complex contains coin operated common laundry facilities and common meeting space on each of the three floors. The first floor common room also contains a kitchen.

The subject site is well landscaped with grass areas, trees and shrubs. The site has an irrigation system.

No items of deferred maintenance were noted during the inspection. According to the property manager recent improvements include the rebuilding of one boiler in 2018.

HIGHEST AND BEST USE

The first step in the valuation process involves the determination of the highest and best use of the property. Establishing the highest and best use provides the framework from which to value a property, by establishing the most probable and profitable use, market, and the most likely user of the real estate being valued.

Highest and Best Use is defined as follows:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are:

1. legal permissibility
2. physical possibility
3. financial feasibility, and
4. maximum productivity.”

Source: *The Dictionary of Real Estate Appraisal*, 6th Edition © 2015; The Appraisal Institute

The highest and best use of a property is analyzed in two ways: the subject site as though vacant and ready to be improved; and as presently improved as of the date of the appraisal. The purpose of the “as vacant” analysis is to determine the ideal use for the site, given its unique location, size, zoning, neighboring properties, and economic conditions. The highest and best use conclusion, as vacant, is generally the use that would yield the highest land value and return to the developer in the current marketplace. In making a determination of highest and best use, such factors as market conditions, supply and demand, and financial feasibility must all be considered and weighted in the final conclusion.

The analysis of the highest and best use, as improved, compares the site’s actual improvements to the “as vacant” conclusion. Variations between the actual and the ideal improvements for a particular site may result in some diminution in value as a result of functional or external obsolescence. In general, properties that are improved in accordance with their highest and best use will command the highest price, or a price that is near or above replacement cost. Properties that are not improved to their highest and best use may require renovation, if financially feasible. Otherwise, such properties may suffer from a form of functional obsolescence that is not curable, or financially feasible to change.

This Highest and Best Use discussion assists in determining the most appropriate buyer and marketplace for the subject, as well as the most appropriate market data from which to derive a market

value estimate. In general, properties are to be appraised according to their highest and best use, or the use that yields the highest value.

As Vacant

The subject site consists of a 1.031 acre site located along the west side of Maple Street in the town of Somersworth. Surrounding uses include an elderly housing complex, fire station, cemetery, residences and a public park. The site is located in the city of Somersworth's Recreation Zone which allows recreational uses such as parks, ballfields, skating rinks and picnic areas. These are not intended for for-profit development. Assuming private ownership and considering the location of the subject site adjacent to an elderly housing complex, and the frontage along Maple Street, the highest and best use of the subject site would be to seek a variance for residential use.

As Improved

The subject property consists of a 37 unit, three-story garden style apartment building constructed in 2004. The property is in average physical condition. The subject property is subject to a 30-year Land Use Restriction Agreement through 2034, which requires that the subject units be rented at restricted rents. Given these factors, the Highest and Best Use of the subject property is for continued ownership as an affordable housing property.

APPRAISAL PROCESS

The purpose of this appraisal is to estimate the market value of the subject property's 37 residential units, subject to restricted rents. The three approaches to value are the cost approach, income approach and the sales comparison approach. The appropriateness of each approach in the valuation of the subject is discussed below.

Cost Approach

The cost approach is a good indication of value for newer buildings and special use properties. The valuation of affordable housing on a cost basis is of limited reliability, due to the impact of the restricted rents, and available financing that make this project financially feasible. Additionally, as a 16-year-old complex, estimating functional and physical depreciation would diminish the reliability of a cost analysis.

Income Approach

The subject property is a 37 unit affordable housing development. As an investment property, income analysis is the most applicable method of valuation of affordable housing properties. In this analysis, the contract rents are applied. Expenses are then projected, based on actual expenses and analysis of affordable housing properties in the local market. The resulting net operating income to the General Partner will be capitalized into a present value. Since the subject is anticipated to provide a fairly level income stream, a direct capitalization analysis is completed.

Sales Approach

The subject property is a 15-year-old affordable housing property in average physical condition. Inadequate sales of similar affordable housing properties are available in the subject market. Additionally, the subject cannot be compared to market rate projects, due to the impact of its restricted rents, favorable financing, and tax credits. Therefore, the sales comparison approach is not completed in valuing the subject property.

INCOME APPROACH

The Income Approach is typically the only applicable method of valuation for affordable housing properties. As a 37 unit apartment property, income analysis is a good indication of market value for the subject property.

For properties with level income streams, direct capitalization, as opposed to discounted cash flow, is most appropriate. Estimating market value via direct capitalization involves several steps, summarized as follows:

1. The potential gross income must be estimated (PGI). This is typically achieved by surveying market rents and projecting the rents that are achievable at the subject property. In the case of the subject, the 2020 contract rent as set by the HAP contract will be compared to area market rents, and used as the basis for projecting gross income for the subject.
2. Deduct a stabilized vacancy and collection loss factor from the subject's potential gross income to derive an effective gross income (EGI).
3. Expenses must be deducted from the EGI to derive a net operating income (NOI) or annual cash flow that can be generated from the investment.
4. The final step is to capitalize the NOI into a present value using a market derived capitalization rate, or overall rate (OAR).

Typically, the first step in the Income Approach is to estimate market rent for the subject units. All 37 of the subject units are subject to LIHTC rent limits through a Housing Assistance Payment Contract. The following rent survey has been completed to analyze how the contract rents compare to current market rents, and establish a market rent for the subject units.

Market Rent Estimate

The following rent survey was completed in order to estimate market rent for the subject units and also to compare the NHHFA rent limits with market rate apartment units in the Somersworth market. The subject rents include all utilities. Therefore, the comparable rents have been adjusted to a similar expense basis, using the 2020 New Hampshire Housing Finance Authority's Utility Allowance Schedule. The rent survey is presented below.

Market Rent Survey of the Somersworth Area – 2020

Comp #	Address	Monthly Rent	Utilities	Adjusted Rent
		1 Bedroom	Included	
1	22 Canal St., Somersworth, NH	\$1,475	Heat & HW	\$1,535
2	24 Ham St., Somersworth, NH	\$1,250	None	\$1,387
3	114B High St., Somersworth, NH	\$900	None	\$1,037
4	Myrtle St., Somersworth, NH	\$850	None	\$987
5	Market Street., Somersworth	\$1,125	Heat	\$1,205
6	Tara Meadows, 731 Tri City Rd., Somersworth, NH	\$1,170-\$1,260	None	\$1,307 – \$1,397

The above table indicates a range of adjusted rents from \$987 to \$1,535 per month for one-bedroom units, when adjusted for utilities.

Comparable Nos. 3 and 4 are at the low end of the range, and are units within older converted residences near downtown Somersworth. These units are upper level, walk up units. Comparable Nos. 1, 2 and 6 are at the high end of the range. Comparable No. 1 is an asking rent in a converted mill building that features a large amount of common area. Units contain hardwood floors and granite countertops. Comparable No. 2 is an asking rent for a larger, two story, one-bedroom unit. Comparable No. 6 indicates rents for one-bedroom units in a larger, multi building garden style apartment complex. This complex features amenities such as a fitness room, clubhouse and pool.

The subject property was constructed in 2004 and is in average physical condition. Given the condition of the subject, as well as the common areas and small size of the units, a market rent at the middle of the range, is estimated for the subject.

Market Rent Estimate**One Bedroom Units: \$1,250 Per Month****Potential Gross Income**

The subject's current contract rents are \$1,116 per month, inclusive of all utilities. This rent is below the estimated market rent. The Potential Gross Rental Income is calculated below:

Albert Jack Labonte Elderly Apartments: Potential Gross Rental Income

Rent Limit	Unit type	# Units	Contract Rent	Utility Allowance	Annual Rent
HAP Contract Rent	1 BR	37	\$1,116	All Included	\$495,504

Miscellaneous Income

Miscellaneous income can come from fees charged for storage fees, pet fees or covered parking. For the subject, the miscellaneous income comes from coin operated laundry, program services, excess utility charges for air conditioning units and cable TV. Most of this income has corresponding expenses, which are reflected in the tenant services expense category. The property owner has reported \$25,498 in 2018 and \$26,939 in 2019. A miscellaneous income of \$27,000, similar to the 2019 expense, will be used in this analysis. The corresponding expenses will be reflected in the tenant services expense category.

Stabilized Vacancy

Property managers and local public housing authorities indicate no extended vacancy of affordable housing apartment units. Several housing authorities in New Hampshire maintain waiting lists, suggesting strong demand for affordable housing units in the region. Investors typically project stabilized vacancy of 3-5% for this type of affordable housing project. Market rate investors typically project slightly higher 3-8% vacancy.

The subject property is currently fully occupied, and the property manager reported strong occupancy over the past few years. New Hampshire Housing Finance Authority's most recent rental cost survey indicates vacancy rates of 2.6% in Strafford County for 2018. This is slightly higher than statewide vacancy rate of 2.0%. This rate is higher than the nine year low of 1.2% in 2017.

A 5% vacancy factor will be used in this income analysis. This 5% vacancy rate is consistent with long-term trends and investor projections for affordable housing properties in southern New Hampshire and is also inclusive of rent loss.

Effective Gross Income Calculation

INCOME	Annual Rent
37 One Bedroom/One Bath Units @ \$1,116 / Month	\$495,504
Plus: Miscellaneous Income	\$27,000
Gross Income	\$522,504
Less: Vacancy @ 5% EGI	-23,536
Effective Gross Income	\$498,968

Operating Expenses

Once the effective gross income has been calculated, the next step is to estimate the property's stabilized operating expenses. The property manager had furnished expenses for the past two years, as follows:

Actual Operating Expenses

Expenses	2018	Per Unit	2019	Per Unit
Management Fee	\$37,531	\$1,014	\$39,887	\$1,078
Administrative	\$13,458	\$364	\$16,719	\$452
Tenant Services	\$73,843	\$1,996	\$74,644	\$2,017
Utilities	\$53,155	\$1,437	\$53,065	\$1,434
Maintenance	\$64,235	\$1,736	\$68,638	\$1,855
Insurance	\$12,821	\$347	\$13,013	\$352
Property Taxes	\$53,012	\$1,433	\$84,142	\$2,274
Total Expenses	\$308,055	\$8,326	\$350,108	\$9,462

The expenses were at \$8,326 per unit in 2018 and \$9,462 in 2019. The higher 2019 expense reflects a large increase in property tax. Expenses for similar tax credit apartments range from \$6,300 to \$9,200 per unit, or 60% to 80% of effective gross income. By comparison, expenses for market rate apartments in this region range from \$3,500 to \$5,500 per unit, or 30% to 45% of effective gross income. For affordable properties, projected expenses have to be adequate, as the

ability to increase rents during the compliance period are restricted. An adequate expense allowance diminishes the investment risk during the compliance period.

Operating Expense Pro Forma

In order to create an expense pro forma for the subject property's past expenses will be analyzed:

Management Expense – Estimated at \$40,000, based on the subject's most recent 2019 expense.

Administrative Expense – Administrative expense covers administrative payroll, office expenses, legal expense and other administrative fees. This administrative expense has ranged from \$364 to \$452 per unit annually. An average expense of \$400 per unit is used in this income analysis.

Tenant Services – Is a typical expense in an elderly housing development such as the subject. For the subject property, this expense includes the expense for Cable Television that was included in the Miscellaneous income, as well as salaries for tenant service providers. An expense of \$77,700, similar to the past two years of expenses will be used in this analysis.

Utilities – The utility expenses are inclusive of heat, hot water, electric, water and sewer, which are all included in tenant rent. These expenses provided show a consistent expense of \$1,437 per unit in 2018 and \$1,434 in 2019. A similar expense of \$1,450 per unit will be used in this analysis.

Maintenance – has ranged from \$64,235 to \$68,638 over the past two years. This expense is inclusive of salaries, supplies, maintenance contracts for elevators, landscaping, and snow removal as well as expenses related to unit turnover. A slightly higher expense of \$70,000, or \$1,892 per unit, is used in this income analysis, based on typical elderly properties in this market.

Insurance for similar apartment complexes typically range from \$250 to \$400 per unit. An expense of \$350 per unit will be used. This expense is in line with similar properties and in line with reported expenses and well supported by the actual 2018 and 2019 expenses.

Real Estate Taxes A real estate tax expense of \$84,142 or \$2,274 per unit was previously calculated based on the current assessment and tax rate, and will be used in this analysis.

Replacement reserves are a sinking fund for the normal replacement of items such as appliances and carpeting, as well as exterior structural and mechanical items essential to the successful operation and upkeep of a multi-unit apartment complex. Replacement reserves are not normally included in the operating statement but do affect cash flow. Consequently, they are reflected in appraisals, since proper allocation of cost to this category is essential if the property is to maintain its value. For an affordable apartment complex, a replacement reserve expense of \$500 per unit is typically required by NHHFA. The subject property's expense pro forma is summarized as follows:

The pro forma is presented below:

Operating Expense Pro-Forma

EXPENSES:	Per Unit	Annual \$
Management Fee	\$1,081	\$40,000
Administrative	\$400	\$14,800
Tenant Services	\$2,100	\$77,700
Utilities	\$1,450	\$53,650
Maintenance	\$1,892	\$70,000
Insurance	\$350	\$12,950
Real Estate Taxes	\$2,274	\$84,142
Reserves	<u>\$500</u>	<u>\$18,500</u>
Total Expenses	\$10,047	\$371,742
Operating Expense Ratio:		75%

The Expense Pro Forma indicates an expense of \$10,047 per unit, or 75% of estimated EGI, is at the high end, but generally in-line with other affordable apartment projects in the local market. This high expense per unit is likely due to the elderly tenant population, the tenant services offered within the complex, and the high real estate tax.

Expense Comparable Data

The following comparables are the most recent available audited expenses provided to the New Hampshire Housing Finance Authority (NHHFA). In selecting the expense comparables for use in this analysis, emphasis was placed on finding similar size affordable Housing properties from southern New Hampshire. Each property's name and address has been kept confidential; however, the municipalities are identified.

Affordable Housing Expense Comparables – 2018 NHHFA Audit

Project Name	City	# of Units	Type of Project	Expenses	
				Per Unit	Expense Ratio
Confidential	Antrim	40	Elderly	\$7,856	82%
Confidential	Rochester	24	Elderly	\$9,854	91%
Confidential	West Swanzey	40	Elderly	\$8,814	62%
Confidential	Durham	40	Elderly	\$11,131	62%
Confidential	Manchester	34	Elderly	\$8,401	61%
Confidential	Manchester	96	Elderly	\$8,261	54%
Confidential	Manchester	30	Elderly	\$9,662	68%
Confidential	Farmington	24	Elderly	\$8,854	70%
Confidential	Plaistow	25	Elderly	\$7,305	64%
Confidential	Dover	78	Elderly	\$10,815	71%
Confidential	Nashua	40	Elderly	\$7,196	60%
Confidential	Conway	30	Elderly	\$8,575	82%
Confidential	Hampton	54	Elderly	\$10,298	68%
Confidential	Salem	24	Elderly	\$6,992	70%
Confidential	Manchester	60	Elderly	\$9,207	66%
Confidential	Nashua	22	Elderly	\$7,952	70%
Confidential	Concord	41	Elderly	\$7,548	86%
Confidential	Nashua	97	Elderly	\$11,393	59%
Confidential	Gilford	24	Elderly	\$7,995	79%
Confidential	Salem	26	Elderly	\$8,094	74%
Confidential	Whitefield	36	Elderly	\$8,948	69%
Confidential	Bethlehem	20	Elderly	\$9,750	69%
Confidential	Keene	30	Elderly	\$8,950	87%
Confidential	Laconia	75	Elderly	\$7,586	47%
Confidential	Littleton	50	Elderly	\$9,021	62%
Confidential	Lincoln	35	Elderly	\$7,108	61%
Confidential	Lisbon	20	Elderly	\$9,667	79%
Confidential	Manchester	37	Elderly	\$9,400	81%
Confidential	Dover	32	Elderly	\$11,430	86%
Confidential	Dover	26	Elderly	\$10,726	90%
Confidential	Lancaster	35	Elderly	\$8,930	70%
Confidential	Center Ossipee	24	Elderly	\$8,994	69%
Confidential	Woodsville	34	Elderly	\$8,223	64%
Confidential	Conway	12	Elderly	\$9,076	65%
Confidential	Rochester	48	Elderly	\$9,378	68%
Confidential	Henniker	40	Elderly	\$8,489	66%
Confidential	Nashua	31	Elderly	\$9,429	84%
Confidential	Exeter	26	Elderly	\$8,633	91%
Confidential	Keene	33	Elderly	\$9,485	87%
Confidential	Hampton Falls	24	Elderly	\$8,746	81%
Confidential	Newmarket	57	Elderly	\$7,938	76%
Confidential	Merrimack	80	Elderly	\$8,090	56%
Confidential	Keene	26	Elderly	\$9,005	85%
Confidential	Rye	22	Elderly	\$9,569	80%
Confidential	Nashua	34	Elderly	\$8,882	68%
			High	\$11,430	91%
			Low	\$6,992	47%
			Average	\$8,926	72%
			Median	\$8,930	70%

Senior housing affordable housing properties are presented in the expense survey presented on the previous page. The comparables indicate a range of expenses from \$6,992 to \$11,430 per unit, with a median annual expense of \$8,930 per unit, and 70% expense ratio.

The Expense Pro Forma, with an expense of \$10,047 per unit, or 75% of EGI, falls at the middle to the high end of the range indicated by the senior affordable housing expense comparables from the local market. As previously noted, this is likely due to the subject's large common area, tenant services, and Somersworth's high real estate taxes.

Net Operating Income Estimate

Net operating income (NOI) is the annual income remaining after deducting vacancy and operating expenses, but before deducting financial charges such as debt service. Net operating income is the figure that is capitalized into a present value for the subject.

A summary of the subject's net operating income calculation is presented below:

Summary of Net Operating Income Calculation

INCOME		Annual Rent
37 One Bedroom/One Bath Units @ \$1,116 / Month		\$495,504
Plus: Miscellaneous Income		\$27,000
Gross Income		\$522,504
Less: Vacancy @ 5% EGI		-23,536
Effective Gross Income		\$498,968
EXPENSES:		Annual \$
Management Fee	Per Unit \$1,081	\$40,000
Administrative	\$400	\$14,800
Tenant Services	\$2,100	\$77,700
Utilities	\$1,450	\$53,650
Maintenance	\$1,892	\$70,000
Insurance	\$350	\$12,950
Real Estate Taxes	\$2,274	\$84,142
Reserves	<u>\$500</u>	<u>\$18,500</u>
Total Expenses	\$10,047	\$371,742
Operating Expense Ratio:		75%
NET OPERATING INCOME:		\$127,226

Overall Capitalization Rate Selection

There are numerous considerations that must be made in selecting an appropriate capitalization rate for a specific investment property. Some of the most fundamental considerations include the condition and quality of the improvements, the quality/credit rating of the building's tenant(s), and the appeal of the investment's location. Additional considerations include the demand for competing investment properties, investor's perception of the market, and long-term cash flow potential. Financial markets and prevailing commercial mortgage rates also impact capitalization rates.

The selection of an overall rate is generally best supported by direct examination of apartment complex sales in the area. As an example, several recent sales from the local market are presented below.

Capitalization Rate Comparables – Northern New England Apartment Sales

#	Community Name/Address	City	# Units	Type	Date	Sale Price	\$ Per Unit	Rate
1	University Heights	Hooksett, NH	204	Market	Jul-19	\$29,600,000	\$145,098	6.22%
2	Brookstone Manor	Milford, NH	92	Market	Sep-19	\$13,550,000	\$147,283	6.15%
3	Waterford Place	Manchester, NH	384	Market	May-19	\$67,000,000	\$174,479	5.84%
4	Residence at Riverwalk	Manchester, NH	150	Market	Nov-19	\$33,000,000	\$220,000	5.50%
5	Heritage on the Merrimack	Bedford, NH	240	Market	Nov-18	\$58,200,000	\$242,500	5.68%
6	Southside Manor	Manchester, NH	124	Market	Nov-18	\$14,500,000	\$116,935	6.36%
7	Appleton Square	Methuen, MA	140	Market	Sep-19	\$29,300,000	\$209,286	6.30%
8	50-52 High St	Exeter, NH	11	Market	May-18	\$1,050,000	\$95,455	7.00%
9	Meisner Circle	Salem, NH	42	Market	Feb-19	\$6,525,000	\$155,357	6.20%
10	17-39 Portland Ave	Dover, NH	19	Market	Jul-18	\$2,175,000	\$114,474	7.70%
11	86 Church St	Rochester, NH	12	Market	Dec-18	\$1,020,000	\$85,000	6.10%
12	159 & 160 Orange St.	Manchester, NH	21	Market	Jun-19	\$1,250,000	\$59,524	8.06%
13	Parker Village	Littleton, NH	50	Affordable	Dec-19	\$3,000,000	\$60,000	7.50%
14	Antoinette Hill	Manchester, NH	23	Affordable	Apr-19	\$1,300,000	\$56,522	9.20%
15	Monadnock Village	Colebrook, NH	50	Affordable	Feb-20	\$2,600,000	\$52,000	7.06%
16	Merrimack Heights	Hooksett, NH	70	Affordable	Oct-18	\$6,050,000	\$86,429	7.00%
17	Redden Gardens	Dover, NH	150	Affordable	Nov-19	\$15,500,000	\$103,333	7.20%
Average:			105				\$124,922	6.77%
Median:			70				\$114,474	6.36%
Minimum:			11				\$52,000	5.50%
Maximum:			384				\$242,500	9.20%

The above sales provide a sample of the rates of return that are being indicated by recent apartment investments in the New Hampshire market. The sales presented show a range of capitalization rates from 5.50% to 9.2%. Typically, the comparables that fall at the low-end of the range are newer properties or those properties offering increased income potential through immediate roll-up in unit rents. Comparables at the upper-end of the range tend to be older properties requiring capital repairs or properties in inferior rental locations. Many of the rate comparables at the low-end of the range are newer institutional grade properties with upside potential through capital improvements and rent increases. Comparable Nos. 13 through 17 are similar affordable apartment properties, and indicate a close prevailing range of 7.0% to 7.5%.

Capitalization rates have appeared to have leveled off after trending downward during the past several years. In New Hampshire vacancy has remained low due to limited new apartment construction, unemployment well below the national average and robust rental demand in most local markets. The supply of apartment properties available for sale is also very limited in the New Hampshire market.

The most recent PwC Real Estate Investor Survey quoted the following rates for apartment investment properties:

1st Quarter 2020 PwC Real Estate Investor Survey - Capitalization Rates

Institutional Grade		Change 1 Year Ago (basis points)
National Apartment	5.14% avg (3.5% to 7.0% range)	+11

The survey indicated that capitalization rates for apartments have trended downward during the past several years, but appear to be stabilizing. PwC reported overall capitalization rates have increased by 11 basis points from one year ago, but declined by 22 basis points from 5 years ago.

In selecting a capitalization rate for the subject, the following factors influencing investment risk for this specific property have been considered.

SUMMARY OF INVESTMENT RISK FACTORS

Positive Factors -

- The subject was constructed in 2004 and in average physical condition.
- There is good demand for affordable apartment units, with high stabilized occupancy and waiting lists in many market areas.

Negative Factors -

- The LURA requires that the subject property's rents are restricted for 30 years, through 2034, limiting upside income potential. Conversely, the project's expense ratio is apt to increase over time as the property ages.
- Any sale or change of ownership must be approved by NHHFA, restricting the marketability of the subject.
- The Covid-19 Global Pandemic has disrupted the U.S. economy as of the writing of this appraisal, and the duration and economic full impact are yet unknown. Nonetheless, this pandemic will undoubtedly soften the demand for apartment units, at least in the interim, and will likely lead to an economic recession. However, prior to the pandemic, the New Hampshire economy was very healthy and there was a strong demand and limited supply of apartment properties. Therefore, a short-term shutdown may have only a limited impact on this market. However, if a second wave of the virus is experienced and unemployment continues to climb, rents are apt to trend downward due to a rise in foreclosures and vacancies, as well as diminished demand among buyers.

Overall, there is good demand for better quality apartment investment properties. This demand, combined with low mortgage rates, has driven prices during the past several years.

Although the subject building is in good condition, the property is impacted by a high expense ratio and limited upside potential with restricted rents. Additionally, any change of ownership must be approved by NHHFA.

Considering the items discussed above, with specific emphasis on the close prevailing range of capitalization rates and the subject's average physical condition, as well as the subject's restricted rents, LURA, and location, a capitalization rate of 7.25%, at the middle of the range indicated by the most recent comparable data, is concluded for use in this income valuation. The Income Approach value estimate is summarized as follows:

INCOME APPROACH		
Albert Jack Labonte Elderly Apartments		
191 Maple Street, Somersworth, New Hampshire		
INCOME		<u>Annual Rent</u>
37 One Bedroom/One Bath Units @ \$1,116 / Month		\$495,504
Plus: Miscellaneous Income		<u>\$27,000</u>
Gross Income		\$522,504
Less: Vacancy @ 5% EGI		<u>-23,536</u>
Effective Gross Income		\$498,968
EXPENSES:	Per Unit	Annual \$
Management Fee	\$1,081	\$40,000
Administrative	\$400	\$14,800
Tenant Services	\$2,100	\$77,700
Utilities	\$1,450	\$53,650
Maintenance	\$1,892	\$70,000
Insurance	\$350	\$12,950
Real Estate Taxes	\$2,274	\$84,142
Reserves	<u>\$500</u>	<u>\$18,500</u>
Total Expenses	\$10,047	\$371,742
Operating Expense Ratio:		75%
NET OPERATING INCOME:		\$127,226
VALUATION:		
NOI		\$127,226
Capitalization Rate		7.25%
Income Approach Value Estimate =		\$1,754,835
Rounded to:		\$1,750,000
Value per Unit		\$47,297

FINAL VALUE CONCLUSION

The Income Approach provides the most reliable value estimate for an existing apartment property such as the subject. This analysis considers actual contract rents and expenses and closely mirrors how an investor would analyze the subject property in making a purchase price decision. A prospective buyer would analyze the property's specific cash flow projections against their investment criteria.

Since each restricted rent project is unique, this type of analysis is the only applicable method for valuing affordable housing properties. As of June 24, 2020, I estimate the following "as is" value for the subject property:

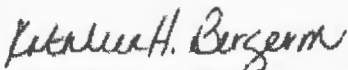
**MARKET VALUE ESTIMATE
ALBERT JACK LABONTE ELDERLY HOUSING
191 MAPLE STREET
SOMERSWORTH, NEW HAMPSHIRE**

**\$1,750,000
ONE MILLION SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS**

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Our firm has performed appraisal services on the subject within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Kathleen H. Bergeron has completed the continuing education program for Designated Members of the Appraisal Institute.



Kathleen Holden Bergeron, MAI
NHCG – 595

June 26, 2020

Date

QUALIFICATIONS OF KATHLEEN HOLDEN BERGERON, MAI

PROFESSIONAL MEMBERSHIPS:

Appraisal Institute - MAI Designation
New Hampshire Chapter of the Appraisal Institute

STATE LICENSES:

New Hampshire State Certified General Appraiser - # 595

EXPERIENCE:

2000 - Present	Bergeron Commercial Appraisal Commercial Appraiser
1999 – 2000	F & M Appraisal Group, Inc. Commercial Appraiser

EDUCATION:

University of New Hampshire, Whittemore School of Business and Economics - BS degree, Business Administration

APPRAISAL EDUCATION:

Appraisal Principles – Exam 110
Appraisal Procedures – Exam 120
Basic Income Capitalization - Exam 310
Standards of Professional Practice A & B - Exams 410 & 420
Advanced Income Capitalization - Exam 510
Advanced Cost & Sales Comparison – Exam 530
Report Writing and Valuation Analysis – Exam 540
Advanced Applications – Exam 550
Highest & Best Use Analysis – Exam 520
Attacking and Defending Appraisals in Litigation – Ted Whitmer
Business Practice and Ethics
Apartment Appraisal Concepts and Applications
Marshall & Swift Commercial Cost Analysis
Subdivision Analysis
Real Estate Finance, Statistics, and Valuation Modeling

APPRAISAL ASSIGNMENTS:

Real estate appraisal experience includes the following: commercial land and residential subdivisions; apartment complexes; retail properties, including neighborhood and community shopping centers; proposed construction; mixed-use properties; industrial properties; manufacturing facilities; office properties, and; special use assignments, including restaurants, going-concern values, feasibility analyses, auto dealerships and LIHTC affordable housing properties.

Appendix A: Engagement Letter

BERGERON COMMERCIAL APPRAISAL

CONSULTANTS IN REAL ESTATE VALUATION

487 State Street
Portsmouth, New Hampshire 03801
(603) 436-3009
www.bergeronappraisal.com

May 6, 2020

Mr. David Francoeur
Francoeur Senior Housing, LLC
17 Park View Terrace
Somersworth, New Hampshire
Via email: dave@allrealestatenrh.com

Bergeron Commercial Appraisal would like to submit the following proposal in response to your request for appraisal services:

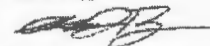
1. To provide an appraisal of the following property:

37 Unit LIHTC Apartment Property
Albert Jack Labonte Elderly Apartments
191 Maple Street
Somersworth, New Hampshire

2. The purpose of this appraisal is to estimate the market value of the fee simple interest in the above referenced property on an "as is" basis, subject to restricted rents. The intended use of this appraisal is to assist the General Partner in establishing the property's market value for a possible acquisition at the termination of the 15 Year compliance period. The client acknowledges that by ordering this appraisal directly, it may not be accepted by a financial institution for lending purposes.
3. The scope of work will include the completion of all applicable approaches to value in a narrative report format.
4. Delivery of a PDF copy of the completed report will be completed within 5 weeks of engagement. Up to two additional hard copies of the report will be provided at no additional cost, if requested.
5. The fee for the completion of this appraisal is \$2,200 (inclusive of all expenses). 0% is due upon engagement and 100% is due upon delivery. If the appraisal is cancelled prior to completion, the client will be invoiced at a rate of \$250 per hour for any work completed, to date. Any subsequent analysis, appraisal review, trial preparation, or testimony requested after the completed appraisal will be invoiced under a separate contract at a rate of \$250 per hour.
6. The appraisal will be addressed to Mr. David Francoeur and Francoeur Senior Housing, LLC, who are responsible for payment.
7. The appraisal will be completed by Stephen J. Bergeron, MAI, or Kathleen H. Bergeron, MAI, who are licensed Certified General appraiser in the state of New Hampshire. This appraisal will be developed and prepared in accordance with USPAP and the Appraisal Institute's Code of Professional Ethics.

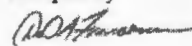
Thank you for the opportunity to bid on this assignment. Please feel free to contact me if you have any questions, or if you feel any modifications are needed to this proposal. To accept the terms of this proposal, please sign and date below.

Sincerely,



Stephen J. Bergeron, MAI
Date: May 6, 2020

Accepted by:

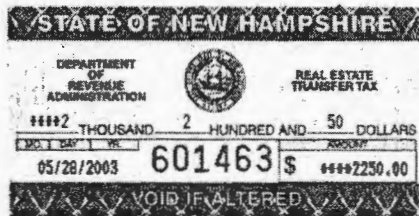


Mr. David Francoeur
Francoeur Senior Housing, LLC
Date:

Appendix B: Legal Description

017024

2003 MAY 28 PM 3:11

STRAFFORD COUNTY
REGISTRY OF DEEDS**WARRANTY DEED**

JEFFREY F. FRANCOEUR, JR. of 306 High Street, Somersworth, County of Strafford, State of New Hampshire 03878,

for consideration paid, grant to **MAPLE STREET SENIOR HOUSING LIMITED PARTNERSHIP**, a duly organized and existing limited partnership under the laws of the State of New Hampshire with a principal place of business at 828 Central Avenue, Dover, County of Strafford, State of New Hampshire 03820,

with **WARRANTY COVENANTS** a portion of Park View in Somersworth, New Hampshire.

A certain tract or parcel of land on the westerly side of Maple Street Extension in Somersworth, County of Strafford and State of New Hampshire and being depicted as Tax Map 22, Lot 50C on plan entitled, "Subdivision Plan, Jeffrey F. Francoeur, Jr., Maple Street and Park View Terrace, Somersworth, New Hampshire dated January 2, 2002 and duly approved by the Somersworth Planning Board on January 23, 2002 and recorded at the Strafford County Registry of Deeds as Plan 64-63, and being more particularly bounded and described as follows:

Beginning at a 5/8" rebar with ID cap at a point on the northeasterly corner of the herein described premises at land of Grantor and on the westerly side of Maple Street; thence turning and running S 32° 03' 14" E along said Maple Street a distance of 138.19 feet to a granite bound; thence turning and running along a curve to the right with a radius of 20.00' and an arc length of 31.08 feet onto the northerly side of Park View Terrace to a granite bound; thence turning and running S 56° 58' 46" W along the sideline of Park View Terrace a distance of 174.99 feet to a granite bound; thence turning and running S 67° 20' 16" W along Park View Terrace a distance of 10.38 feet to a 5/8" rebar; thence turning and running N 21° 19' 53" W roughly parallel to but not adjoining a paved parking lot of remaining land of Grantor a distance of 122.87 feet to a 5/8" rebar; thence turning and running N 49° 31' 19" W continuing roughly along but not adjacent to a paved parking lot of other land of Grantor and across a gas easement a distance of 160.31 feet to a 5/8" rebar; thence turning and running N 78° 27' 35" E along other land of Grantor a distance of 248.14 feet to the point of beginning. Meaning and intending to convey 44,925 square feet or 1.031 acres.

BK 2760 PG 0259

Such conveyance is subject to a 35' gas easement as shown on said plan along the northerly boundary of the within described premises as set forth in an Easement Deed recorded at Strafford County Registry of Deeds at Book 666, Page 321.


Such conveyance is subject to a re-located water and sewer main easement to the City of Somersworth within five feet of the sideline of Park View Terrace as stated in deed dated April 23, 2003 and recorded at Book 2733, Page 830.

Such conveyance is together with a right of way and access along all existing ways, driveways and parking lots to access by all means of vehicles and pedestrians and utilities for all purposes including construction and maintenance to the above described premises. Such access includes but is not limited to a second driveway to a parking lot for the above premises as shown in the Site plans on file and the City of Somersworth planning department and any and all drainage and utilities easements as reflected in the same plans but not to park vehicles.

Meaning and intending to convey a portion of the premises conveyed to Jeffrey F. Francoeur, Jr. and Patricia Francoeur by Warranty Deed of Richard M. and Irene Rouleau dated October 1, 1990 and duly recorded at the Strafford County Registry of Deeds in Book 1525, Page 73. See also deed of Patricia J. Francoeur to Jeffrey F. Francoeur, Jr. dated April 15, 1993 and recorded at Book 1670, Page 369, said Records.

No portion of the above described is homestead property.

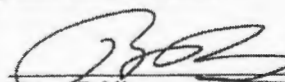
Signed this 22nd day of May, 2003.


Jeffrey F. Francoeur, Jr.

STATE OF NEW HAMPSHIRE
STRAFFORD, SS

On this 22nd day of May, 2003, before me, Brian R. Barrington, the undersigned officer, personally appeared, Jeffrey F. Francoeur, Jr., known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.


Notary Public
Name: BRIAN R. BARRINGTON, Notary Public
My Commission Expires March 8, 2005



BK 2760 PG 0260